LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6497 | **NOTE PREPARED:** Nov 29, 2004
BILL NUMBER: SB 100 | **BILL AMENDED:**

SUBJECT: Local Option Income Taxes.

FIRST AUTHOR: Sen. Long | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: (A) The bill provides that a civil taxing unit's distributive share of county option income taxes (COIT) may be used for any lawful purpose. (B) The bill also expands the use of the county economic development income tax (CEDIT) to any lawful purpose of a county, city, or town.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* (A) & (B) Under the bill, there could be a shift of County Option Income Tax (COIT) or County Economic Development Income Tax (CEDIT) revenue from uses allowed under current law to any lawful purpose a civil taxing unit chooses. Under the bill, CEDIT counties with bonds outstanding for economic development projects or for the lease of property would not be allowed to expend money for other lawful purposes allowed by the bill if the expenditures would adversely affect owners of outstanding bonds or payment of lease rentals.

Background: (A) Under current law, COIT revenue may be used for the following purposes:

(1) Replacement of lost property tax revenue from schools and taxing units due to the homestead credit.
(2) Operation of public communications systems and computer facilities.
(3) Operation of public transportation corporations.

(4) Finance certain economic development project bonds.
(5) To fund certain redevelopment initiatives in Marion County.
(6) To make allocations of distributive shares to civil taxing units.

(B) Under current law, CEDIT revenue may be used for several purposes including:

(1) County, city, or town economic or capital development projects.
(2) Capital improvement plans.
(3) Fund increased homestead credit due to the reduction of state and county inventory taxes.
(4) Maintenance of courthouse facilities.

Explanation of Local Revenues: *Summary:* The proposal should be revenue neutral with respect to counties receiving future certified distributions from either COIT or CEDIT. The bill does not authorize counties to adopt additional changes to either COIT or CEDIT tax rates.

Background: For CY 2005, 27 counties had adopted COIT with total certified distributions of $402.6 M. In CY 2005, 71 counties had adopted CEDIT with certified distributions totaling $197 M.

Under current law, CEDIT rates may be set at 0.1%, 0.2%, 0.25%, 0.3%, 0.35%, 0.4%, 0.45%, and 0.5%.

Under current law, a county must adopt a rate increase in CEDIT by April 1 of a given year. In July of that year, the State Budget Agency calculates a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

(Current law allows, with certain exceptions, a maximum combined CEDIT and COIT rate of 1.0%.)

State Agencies Affected:

Local Agencies Affected: COIT and/or CEDIT Counties.

Information Sources: State Budget Agency.

Fiscal Analyst: Chris Baker, 317-232-9851.